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USAID FOR ANE/MEA MCLOUD AND DUNN  
USTR FOR SAUMS  
TREASURY FOR NUGENT AND HIRSON  
COMMERCE FOR 4520/ITA/ANESA/TALAAT

E.O. 12958: N/A

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SUBJECT: FINAL BANK OF ALEXANDRIA SALE PENDING CBE APPROVAL

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¶1. (U) Econoff met with Mahmoud Abdel Latif, Chairman of Bank of Alexandria (BOA) to discuss the final steps in BOA's sale to Italy's Intesa-SanPaolo Group. Abdel Latif has already begun referring to BOA as "Alexandria-SanPaolo," which will likely become the bank's new name. If the name is not changed, the line "Member of Intesa-Sanpaolo Group" will be added to the BOA logo.

¶2. (U) Adbel Latif was extremely pleased that SanPaolo had won the auction, as its vision for BOA's future most matched his own. That vision includes a doubling of BOA's presence in the Egyptian market over the coming 3 years, increasing market share from the current 6% to 10-14%. Expansion in Egypt will be coupled with expansion throughout Africa, particularly North Africa. BOA even plans to establish a presence in Italy, as a stand alone operation to serve Middle Eastern investors and facilitate transfer of funds from Italy, and eventually the rest of Europe, to the Middle East. The ultimate goal is creation of the first international Egyptian bank.

¶3. (SBU) When asked about the status of the sale's execution, Abdel Latif indicated it was "ninety-nine point nine percent" complete. The Central Bank of Italy gave its approval 4-5 days after the auction, but CBE has not yet signed off on the transfer of shares. He was confident the final sale would be executed in the next two weeks and claimed that the delay was due to disagreement between the Ministry of Finance (MOF) and the Central Bank over use of proceeds from the sale. MOF contacts told econoff earlier this week, however, that the Central Bank had not approved the sale because SanPaolo had not yet named a new board of directors, one of the clauses in the sale contract. When asked about the board of directors, Abdel Latif said it was partially formed, and would include himself and BOA's Vice Chair, six SanPoalo representatives, including the Deputy Chairman, and two as-yet-unspecified GOE representatives. The GOE will retain 15% of BOA's shares after the sale, but will sell those shares in an IPO planned for the first part of 2007.

¶4. (SBU) Comment: The differing reasons given for the delay in CBE approval is likely an attempt by both the GOE and SanPaolo to deflect blame for the delay. In all likelihood, both the naming of a board of directors and a decision on use of proceeds will have to be made before CBE will grant final approval. Press reports have indicated that discussions are underway regarding use of proceeds from privatizations to settle part of the non-performing loans portfolio of the National Bank of Egypt, lending credence to Abdel Latif's claim that the GOE is arguing over use of the proceeds. Regardless of the reason for the delay, the sale contract requires

final execution within 60 days of the deposit of proceeds in escrow.

The deposit occurred on November 5, so the deadline is now January 5, 2007.

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